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**USTR EXPECTS CONCRETE STEPS IN JAPAN TO ADDRESS
TELECOMMUNICATIONS CONCERNS OUTLINED IN SECTION 1377 REVIEW**

United States Trade Representative Charlene Barshefsky today announced that the United States is seeking concrete action by Japan to address market access impediments in its telecommunications market consistent with steps pledged in May under the "Enhanced Initiative on Deregulation and Competition Policy." These actions are necessary to address issues raised in the 1999 review of telecommunications trade agreements under section 1377 of the 1988 Trade Act.

"The commitments made by Japan under the Enhanced Initiative are critical markers in Japan's deregulation efforts," said United States Trade Representative Charlene Barshefsky. "We want to ensure that Japan adopts pro-competitive market-opening reforms consistent with its obligations. We will closely monitor Japan's implementation of these measures to ensure that the Japanese government effectively addresses the two concerns we raised in this year's 1377 review."

The two issues affecting access to the Japanese telecommunications market identified in the section 1377 review which, if not addressed, could warrant WTO action are: excessively high interconnection rates and restrictions on the use of leased facilities to supply telecommunications services. In the review, the Office of the United States Trade Representative noted its expectation that Japan would take credible measures to address these issues before June 4, 1999.

The measures Japan agreed to take in the context of the May 1999 "Enhanced Initiative on Deregulation and Competition Policy," represent a credible commitment to address these issues. Specifically, Japan agreed to (1) take action to ensure that interconnection rates do not impair local competition; and, (2) permit carriers to combine owned and leased facilities to provide services. Ambassador Barshefsky stressed, "While we welcome these commitments, we will work to ensure that implementation efforts effectively address our concerns."

Based on Japan's May 3 commitment, the United States expects that NTT's proposal for revising its interconnection tariff (expected this Fall) will reflect substantial reductions in interconnection

rates for all types of phone calls. The standard Japan agreed to—that local interconnection rates should not impair competition—should result in discounts off retail rates sufficient to ensure that vigorous competition is possible. “If NTT’s proposed tariff does not achieve this, we will look to the MPT, as the independent regulator, to use its authority to require the necessary changes,” said Ambassador Barshefsky. Should NTT file such a tariff, the Office of the United States Trade Representative will begin preparing for a possible WTO dispute settlement case, to be initiated in the event that the MPT’s final decision does not resolve concerns outlined by the U.S. Government.

The Office of the U.S. Trade Representative will also closely monitor telecommunications carriers’ ability to flexibly use a combination of leased and owned facilities—options that are essential to a truly competitive market. “We will immediately raise our concerns with the government of Japan in relation to any difficulties carriers face in gaining speedy approval for the use of leased facilities,” concluded Ambassador Barshefsky, “and if Japan is not responsive, USTR will be prepared to reopen the Section 1377 investigation.”